



Montana Legislative Services Division
Legal Services Office

SENATE TAXATION

EXHIBIT NO. 6

DATE 2.1.11

BILL NO. SB172

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TO Senate Taxation Committee
FROM Lee Heiman, Staff Attorney
RE: Committee Questions, Senate Bill No. 172

Members of the Committee asked two questions:

1. Does the reference to "property used for headquarters, office, shop, or similar facilities" used on page 2, lines 3 and 4 pull centrally assessed property or other non-green property into the lower a tax rate provided by class thirteen or other rate?

Answer, No. The language makes no change from existing classification. The first paragraph of class nine property description was split when the bill was prepared to make it readable. Class nine property is utility property taxed at 12%. The reference in question is an exclusion from the 12% rate for some property owned by rural electric cooperatives. Listed as not included in class nine are wind and biomass generation, the energy storage provisions of this bill, and "property used for headquarters, office, shop, or similar facilities" owned by small rural cooperatives. The language was moved up from the bottom of the paragraph because it made no sense as a tacked-on exclusion to "property used for the sole purpose". The property of small rural cooperatives is generally taxed as class seven property under 15-6-137 at 8%.

2. The fiscal note on page 2 under the "Effect on County or Other Local Revenues or Expenditures" heading mentions that a new project under SB 172 would probably qualify under the new industry or expanding industry property tax abatement program under sections 15-24-1401 and 15-24-1402, MCA. What is this tax abatement?

That program defines an "Industry" to include "engages in the production of electrical energy in an amount of 1 megawatt or more by means of an alternative renewable energy source as defined in 15-6-225". The definition (which is not amended in SB 172) reads:

"alternative renewable energy source" means a form of energy or matter that is capable of being converted into forms of energy useful to humanity, including electricity, and the technology necessary to make this conversion when the source is not exhaustible in terms of this planet and when the source or technology is not in general commercial use. The term includes but is not limited to:

- (i) solar energy;
- (ii) wind energy;
- (iii) geothermal energy;
- (iv) conversion of biomass;
- (v) fuel cells that do not require hydrocarbon fuel;

- (vi) small hydroelectric generators producing less than 1 megawatt; or
- (vii) methane from solid waste.

If the property qualifies and an abatement is approved by local governments, 15-24-1402 provides:

"In the first 5 years after a construction permit is issued, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry, as designated in the approving resolution, must be taxed at 50% of their taxable value. Subject to 15-10-420, each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value."